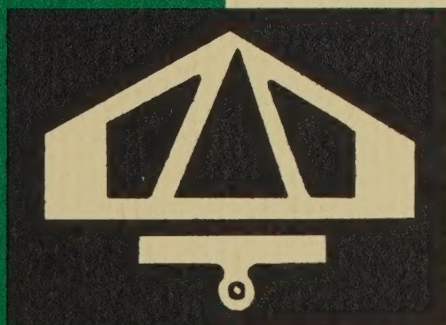


AR19

su
CANTREND

**ANNUAL
REPORT
1968**



Cantrend Industries Ltd.

Report to the Shareholders

Net earnings for the year 1968, after all charges and minority interest, were \$100,642. Earnings, before taxes and minority interest, were \$199,797 compared with the loss of \$228,386 for 1967. Although below acceptable levels, this improvement in operating profit reflects progress made during 1968.

Results of the different operating divisions and subsidiaries were mixed. However, losses were reduced or profits increased in each area of operation.

The marked increase in sales results from inclusion in the accounts for the first time of the turnover of Barker Industrial Equipment Limited (acquired December 28, 1967) and from the rapid development of markets for and acceptance of camping trailers produced by the S. E. Woods Mechanical Division at Newmarket, Ontario.

A prime objective of the company continues to be sound, major development within the fast growing, North American market for outdoor leisure time products. Because of their versatility and convenience, "tents on wheels" or tent trailers are showing particularly fast growth. The company's limited resources of people and capital were and continue to be heavily committed to this end. Results to date are not only gratifying and encouraging but exciting in spite of growing pains, including the inevitable strain on manpower, facilities and finances.

The company's continuing line of manufactured products includes its long and well established specialty outerwear for hunting, fishing and skiing; tents and sleeping bags; and, camping and boat trailers. A new outdoor leisure time product that is showing some promise is the Woodsbike brand mini-motorbike or trail bike which can be carted around in car trunk, truck, boat, plane or trailer.

Barker Industrial Equipment Limited continued its good performance as a leading importer and distributor across Canada of fine industrial equipment from the United Kingdom, Western Europe and the United States. Prospects for the foreseeable future are bright.

The company's interest in a formerly controlled subsidiary, engaged in the importation and wholesaling of camping accessories, Camping International Inc., was sold, effective December 31, 1968 and, in this connection, the contingent liability referred to in note 8 of the audited statements was incurred.

The company's policy is to ensure support for essential revitalization and development of products and operations that offer opportunities for profitable future growth and to identify and eliminate those that are unprofitable or of limited growth potential.

Although operations were restricted somewhat by the limit to funds available to finance annual, pre-season inventory peaks, so typical of the business, improved production planning resulted in highly seasonal customer demands for established company products being substantially met on schedule since commencement of the 1968-69 shipping season.

Again, we acknowledge the co-operation and support of customers, employees and suppliers of goods and services during the year.

Submitted on behalf of the Board of Directors.

GRANT HORSEY,
President

April 18, 1969

Cantrend Industries Ltd. and Subsidiaries

(Formerly S. E. Woods-Holden Ltd.)

CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended December 31, 1968

	1968	1967
SALES	\$7,650,094	\$4,398,161
EXPENSES		
Manufacturing, selling and administrative expenses excluding the items below	7,120,237	4,440,864
Provision for depreciation	62,135	35,634
Interest on long-term debt	34,009	10,335
Other interest	145,554	72,224
Remuneration of directors and senior officials . .	88,362	67,490
	<u>7,450,297</u>	<u>4,626,547</u>
EARNINGS (LOSS) BEFORE TAXES AND MINORITY INTEREST	199,797	(228,386)
Income tax provision (recovery) (note 7)	74,155	(47,000)
	<u>125,642</u>	<u>(181,386)</u>
Minority interest		
Dividend on preferred shares of subsidiary company	25,000	—
Share of subsidiary loss	—	(16,551)
NET EARNINGS (LOSS) FOR THE YEAR	<u>\$ 100,642</u>	<u>\$ (164,835)</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31, 1968

	1968	1967
RETAINED EARNINGS AT BEGINNING OF YEAR	\$382,199	\$595,759
Net earnings (loss) for the year	100,642	(164,835)
	<u>482,841</u>	<u>430,924</u>
Dividends on Class A common shares	—	9,041
Acquisition goodwill written off (recovered)	(1,631)	5,106
Provision for losses on sub-leases	—	19,800
Provision for minority share of deficit of subsidiary company (recovery)	(14,778)	14,778
	<u>(16,409)</u>	<u>48,725</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$499,250</u>	<u>\$382,199</u>

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

CURRENT ASSETS	1968	1967
Accounts receivable	\$2,114,419	\$1,688,420
Inventories (note 2)	2,550,931	2,130,738
Income taxes recoverable	21,532	66,385
Prepaid expenses	33,055	44,133
	<u>4,719,937</u>	<u>3,929,676</u>
PROPERTY, PLANT AND EQUIPMENT — net of accumulated depreciation (note 3)	687,374	603,597
EXCESS OF COST OVER EQUITY IN SUBSIDIARY COMPANY	152,945	152,945
	<u>\$5,560,256</u>	<u>\$4,686,218</u>

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness, secured (note 4)	\$1,856,169	\$1,609,986
Accounts payable and accrued liabilities	1,288,422	1,085,994
Income and other taxes	97,929	58,771
Current maturities on long-term debt	129,700	130,500
	<u>3,372,220</u>	<u>2,885,251</u>
LONG-TERM DEBT (note 5)	982,886	712,868
PREFERRED SHARES OF SUBSIDIARY COMPANY	500,000	500,000
	<u>\$4,855,106</u>	<u>\$4,098,119</u>

SHARE OWNERS' EQUITY

CAPITAL STOCK (note 6)	205,900	205,900
RETAINED EARNINGS	499,250	382,199
	<u>705,150</u>	<u>588,099</u>
	<u>\$5,560,256</u>	<u>\$4,686,218</u>

Signed on behalf of the Board

GRANT HORSEY, Director.

JOHN A. McCLEERY, Director.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

SOURCE OF FUNDS	1968	1967
Net earnings (loss) for the year	\$100,642	\$(164,835)
Depreciation	62,135	35,634
	<u>162,777</u>	<u>(129,201)</u>
Total from operations	162,777	(129,201)
Net increase in long-term debt	270,018	608,868
Preferred shares of subsidiary company	—	500,000
	<u>432,795</u>	<u>979,667</u>
APPLICATION OF FUNDS		
Acquisition of fixed assets	145,912	202,564
Excess of cost over equity in subsidiary company	—	152,945
Dividends on Class A common shares	—	9,041
Provisions and write-off through retained earnings (recovery)	(16,409)	39,684
	<u>129,503</u>	<u>404,234</u>
INCREASE IN WORKING CAPITAL	<u>\$303,292</u>	<u>\$ 575,433</u>

AUDITORS' REPORT

To the Shareholders of
Cantrend Industries Ltd.

We have examined the consolidated balance sheet of Cantrend Industries Ltd. (formerly S. E. Woods-Holden Ltd.) and its subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Cantrend Industries Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ottawa, Canada,
February 17, 1969.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

Cantrend Industries Ltd. and Subsidiaries

(Formerly S. E. Woods-Holden Ltd.)

EXPLANATORY NOTES TO 1968 CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Consolidation

The consolidated financial statements, as in prior years, include the accounts of all subsidiary companies, with the exceptions in 1967 of the operating results of Barker Industrial Equipment Limited, which was acquired on December 28, 1967 and in 1968 of the assets, liabilities and operating results of Camping International Inc., which was disposed of effective December 31, 1968.

2. Inventories

Inventories are valued at the lower of cost and net realizable value and are comprised of:

	1968	1967
Raw materials	\$ 753,522	\$ 572,855
Work in process	387,082	235,260
Finished goods	1,410,327	1,322,623
	<u>\$2,550,931</u>	<u>\$2,130,738</u>

3. Property, Plant and Equipment

	Cost	Accumulated Depreciation	1968 Net	1967
Land	\$ 42,651	\$ —	\$ 42,651	\$ 42,651
Buildings	579,652	261,976	317,676	329,399
Machinery and equipment	773,135	446,088	327,047	231,547
	<u>\$1,395,438</u>	<u>\$708,064</u>	<u>\$687,374</u>	<u>\$603,597</u>

4. Bank Indebtedness

Bank indebtedness is secured by a general assignment of book debts and under Section 88 of the Bank Act. In addition, the bank holds collateral debentures in the amount of \$1,500,000 constituting a floating charge on inventories.

5. Long-term Debt

	Total	Current Maturities	1968 Long-Term	1967
5% mortgage due January 1973	\$ 50,000	\$ —	\$ 50,000	\$ 50,000
6% notes payable in annual instalments of \$13,500	40,500	13,500	27,000	40,500
6½% convertible income debenture payable in annual instalments of \$50,000 commencing January 1971 (see note 6c)	349,976	—	349,976	349,976
7% note payable in annual instalments of \$100,000	200,000	100,000	100,000	200,000
7½% note payable in annual instalments of \$5,000	—	—	—	20,000
8% note due after January 1, 1970	400,000	—	400,000	—
Liens payable in monthly instalments of \$1,775 including interest	72,110	16,200	55,910	52,392
	<u>\$1,112,586</u>	<u>\$129,700</u>	<u>\$982,886</u>	<u>\$712,868</u>

6. Capital Stock

(a) Authorized

30,135 Class A common shares
1,000,000 Class B common shares

(b) Issued

30,135 Class A common shares	\$ 75,338
60,225 Class B common shares	130,562
	<u>\$205,900</u>

(c) 87,500 Class B common shares have been reserved in connection with the 6½% income debenture which is convertible on or before December 31, 1977 into Class B common shares at the price of \$4 per share.

(d) Class A common shares are entitled to a fixed cumulative preferential dividend of sixty cents per share per annum and have the right to participate equally with Class B common shares in any dividends exceeding thirty cents per share per annum declared on Class B common shares.

(e) Class A common shares are non-voting unless arrears of dividends exceed ninety cents per share. As at December 31, 1968 arrears of dividends on Class A shares amount to \$5.25 per share (1967 — \$4.65). Dividends on Class A common shares have been declared up to February 1, 1960.

7. Income Taxes

The provision for income taxes has been reduced by \$35,000 by reason of losses brought forward from prior years. As at December 31, 1968 the undepreciated recorded cost of fixed assets (exclusive of land) exceeds by approximately \$85,000 the amount of capital cost allowance claimable in future years for income tax purposes.

8. Contingent Liability

The company is contingently liable as guarantor of bank credit of a former subsidiary company up to a limit of \$75,000.

Cantrend Industries Ltd., 199 Bay Street, Toronto, Canada



Directors:

Leslie N. Buzzell, C.A.
Grant Horsey, Chairman
John A. McCleery, C.A.
George Perley-Robertson, Q.C.
John D. Richard
Herbert H. Warren
Shirley E. Woods

Officers:

Grant Horsey
President
W. A. Richardson
Vice President
John E. Dechert
Vice President
John A. McCleery, C.A.
Treasurer
F. A. Dwyer, C.A.
Secretary
Gladys I. MacLeod
Assistant Secretary-Treasurer

Transfer Agent and Registrar:

Guaranty Trust Company of Canada, Toronto, Ont.

Operating Divisions and Subsidiaries:

Barker Industrial Equipment Limited, Toronto, Ont.
S. E. Woods Canvas Division, Hull, P.Q.
S. E. Woods Mechanical Division, Newmarket, Ont.
S. E. Woods Sportswear Ltd., Hull, P.Q.

